

Message Text

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ACTION EB-07

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FM AMEMBASSY KINSHASA

TO SECSTATE WASHDC 0832

C O N F I D E N T I A L KINSHASA 0318

E.O. 11652: GDS

TAGS: BEXP, CG

SUBJ: DELAY IN IBRD BOARD CONSIDERATION OF

ZAIRE MINING EXPANSION PROJECT

REF: STATE 6607

1. FOLLOWING COMMENTS MAY BE HELPFUL TO NAC CONSIDERATION OF GECAMINES EXPANSION LOAN.

2. AS MATTER OVERALL DEVELOPMENT POLICY, I REGRET THAT SERIOUS EFFORT WAS NOT MADE TO FIND COMMERCIAL FINANCING FOR GECAMINES EXPANSION. IN MY VIEW, IT COULD AND SHOULD HAVE BEEN DONE AND IBRD WAS IN ERROR NOT TO HAVE PUSHED GOZ IN THAT DIRECTION. BUT THAT'S WATER OVER DAM AND BANK'S SUCCESS IN OBTAINING SUBSTANTIAL LIBYAN PARTICIPATION STRIKES ME AS PLUS FOR PROJECT.

3. IN EFFORT TO GET SOME OF BUSINESS, GIVEN RELUCTANCE OF US FIRMS TO BID ON INDIVIDUAL MODULES, WE HAVE ARGUED THAT OVERALL PROJECT MANAGER (OR PREFERABLY TURNKEY APPROACH) WAS ESSENTIAL FOR SUCCESS OF EXPANSION PLAN. IT APPEARS, HOWEVER, THAT GECAMINES, IBRD AND GOZ HAVE CONCLUDED THAT GECAMINES MANAGEMENT CAN ITSELF FULFILL THIS ROLE. SINCE AMERICAN FIRMS WERE INVITED TO BID ON MODULES AND DECLINED, AND SINCE WE CANNOT PROVE GECAMINES' MANAGEMENT WILL BE INADEQUATE, IT SEEMS TO ME WE HAVE NO CHOICE--DESPITE OUR DOUBTS AND OUR REGRETS THAT US SHARE
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OF BUSINESS IS MINIMAL--BUT TO APPROVE LOAN. POLITICAL

REPERCUSSIONS, WERE WE EVEN TO ABSTAIN ON PROJECT OF SUCH CRITICAL IMPORTANCE TO ZAIRE WOULD BE SERIOUS AND COULD ENDANGER RELATIVELY FAVORABLE US INVESTMENT POSITION HERE. BRIEF STATEMENT, HOWEVER, EXPRESSING CONCERN THAT USE OF GECAMINES MANAGEMENT MAY DELAY COMPLETION OF PROJECT AND REGRET THAT PROJECT WAS NOT FINANCED COMMERCIALY MIGHT BE MADE AT TIME US VOTES IN FAVOR OF LOAN.

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